



# LI NING COMPANY LIMITED

( 李寧有限公司 )

(Incorporated in the Cayman Islands with limited liability)

[For Immediate Release]

## Li Ning Announces First Interim Results Since Listing

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### Turnover and Net Profit Increased 51.8% and 49.5%

#### Financial Highlights

	For the six months ended 30 June		Change (%)
	2004 RMB'M	2003 RMB'M	
Turnover	<b>788.7</b>	519.4	+51.8%
Gross profit	<b>361.5</b>	237.9	+52.0%
Net profit	<b>56.2</b>	37.6	+49.5%
Basic earnings per share (RMB cents)	<b>7.45</b>	5.01	+48.7%

(13 September 2004 – Hong Kong) – **Li Ning Company Limited** ('Li Ning' or the 'Group'; stock code: 2331), one of the leading sports brand enterprises in the PRC, announced today its remarkable interim results for the six months ended 30 June 2004.

During the period under review, turnover amounted to RMB 788.7 million, an impressive growth of 51.8% as compared with the corresponding period the previous year. The significant growth in turnover was mainly attributable to the expansion of sales channels, the enhancement in product diversification and the strengthening of advertising and promotional efforts. Net profit increased by 49.5% to RMB56.2 million due to the improvement in economies of scale, reduction in operating expenses and effective cost control. Profit attributable to shareholders was RMB 56.2 million, representing a growth of 49.5%. Basic earnings per share were RMB 7.45 cents. (2003: RMB5.01 cents)

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2004.

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Commenting on the encouraging interim results, Mr Li Ning, Chairman of the Group, said, "Our listing on the Main Board of the Stock Exchange of Hong Kong established a solid foundation for the Group's business development. During the review period, we continued to implement our growth strategies, enhance our product design and development capabilities and strengthen our brand awareness and loyalty. With our sustained efforts, we successfully improved our supply chain management and operating efficiency, which in turn contributed to our satisfactory performance."

For the six months ended 30 June 2004, the Group's sales of apparel, accessories and footwear witnessed an increase of 60.2%, 50.8% and 38.5% respectively. The increase in sales for all product categories was mainly attributable to the provision of an extensive range of products for the LI-NING and KAPPA brands, the expansion of apparel production and the development of research and development capability.

The Group continued to pursue its strategy of expanding its domestic sales channels. As at 30 June 2004, the Group had over 200 distributors operating over 2,279 franchised retail outlets for the LI-NING and KAPPA brands all over China and a total of 334 retail outlets, including the form of retail stores and concession counters, in Beijing, Shanghai and in 11 provinces. In addition to enhancing the performance of the existing retail outlets and concession counters, the Group also opened new flagship stores in prime locations in large cities during the period, including the flagship stores in Wangfujing area in Beijing and in Middle Huaihai Road in Shanghai with gross floor areas (GFAs) of 620 sq.m. and 200sq.m. respectively. With modern store design and attractive decoration, the Group effectively boosted its brand image and identity, motivating the growth in turnover.

As for sponsorship, marketing and promotional activities, the Group's LI-NING brand sponsored the Chinese Olympics delegation for the 2004 Athens Summer Olympic Games. The Group also sponsored various major Chinese national sports teams, including Table Tennis Team, Diving Team, Gymnastics Team and Shooting Team, as well as foreign sports teams such as the Spanish Men's and Women's Basketball Teams. In addition, the Group deployed a significant amount of resources in adopting its advertising strategies to increase the mass appeal of its sporting goods for its new footwear series and launched its innovative advertising series "LI-NING: Flying High in China Sports" in April 2004.

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As regards its product development, the Group endeavoured to diversify its range of sporting products to cater for different customer needs. In the first half of 2004, the Group launched and promoted a new specialised footwear series for distinct sports categories such as soccer, basketball and tennis. The professional "Ties" series soccer shoes and the new basketball footwear series, for instance, received overwhelming market response.

For the six months ended 30 June 2004, the Group enhanced its supply chain management through the upgrading of its management information systems, the implementation of stringent internal control measures and the successful improvement in operating efficiency. As such, the Group continued to stay abreast of market changes and provide quality products for its customers.

Concerning the Group's future strategies, Mr Li stated, "The 2008 Beijing Olympic Games is expected to arouse public interest and awareness of sports and fitness in China, stimulating the demand for sporting goods. Benefiting from such a momentous occasion, the LI-NING brand will continue to become China's national sports brand. While consolidating our strong foothold as a leading sporting goods enterprise in China, we are dedicated to capturing new business opportunities and developing new growth momentum. Leveraging its commitment to creating sporting goods of the best quality and enhancing customer satisfaction, the Group will capitalise on its unrivalled competitive edges, with the view of "Flying High in China Sports" and become the leader in China's sports industry and operator as well as the owner of international sports brands. We are well-poised to bring copious returns to our supportive shareholders. "

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Li Ning Company Limited is one of the leading sports brand enterprises in the PRC. We have our own branding, research, design, manufacturing, distribution and retail capabilities. Our products include sports footwear, apparel and accessories for sport and leisure use primarily sold under the LI-NING brand, which is owned by us, and the KAPPA brand, which is exclusively licenced to us for use in the PRC and Macau. We have established an extensive distributorship and retail network in the PRC market.

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